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**TABLE 2013/2014 MEDIUM TERM INCOME AND EXPENDITURE FRAMEWORK:**  
**(MTRIF):**

(Directorate: Budget and Treasury Office)

**1. STRATEGIC THRUST**

- 1.1 The Budget is the most important strategic planning document of the Council which will guide and determine the day to day actions necessary for the delivery of Municipal services to the Community.
- 1.2 Financial viability is the first priority in the IDP process and has an objective to practice sound and sustainable financial management. This is a responsibility of all managers of Council and will determine the continuous viability of the organisation.

**2. PURPOSE OF THE REPORT**

- 2.1 The requirements for the compilation and submission of the Budget are contained in Chapter 4 of the MFMA and Municipal Budget and Reporting Regulations.
- 2.2 The purpose of tabling the 2013/14 budget to council is to consider the income and expenditure per category, the tariffs to realise the budgeted income and to inform council about the limitations regarding the budget. The 2013/2014 MTREF is attached as Annexure A.

**3. EXECUTIVE SUMMARY**

**3.1 Background**

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and "nice to have" items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. A service provider for debt collection was appointed to collect outstanding amounts. National Treasury's MfMA Circular No. 48, 51, 54, 58 and 61 were used to guide the compilation of the table annual 2013/14 MTREF.

The main challenges experienced during the compilation of the draft 2013/14 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;

- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water, Magalies water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff.

The following budget principles and guidelines directly informed the compilation of the tabled 2013/14 MTREF:

- The 2012/13 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the tabling of 2013/2014 MTREF budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases not exceeding inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to National and Provincial funded projects unless the necessary grants to the municipality are reflected in the National and Provincial budget and have been gazette as required by the annual Division of Revenue Act;

The following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the tabled 2013/14 MTREF**

**NW373 Rustenburg - Consolidated (operating revenue and expenditure and capital expenditure )**

Description		2013/14 Medium Term Revenue & Expenditure Framework		
		Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	Adjusted Budget			
Total Revenue (excluding capital transfers and contributions)	2 755 402	2 729 276	2 834 222	3 072 107
Total Expenditure	2 717 214	2 710 794	2 798 549	2 980 641
Surplus/(Deficit)	38 188	18 481	35 673	91 467
Total Capital Expenditure - Standard	975 648 854	1 313 659 361	1 810 422 448	1 041 880 000



Total operating revenue has decreased by 0.95 (%) per cent or R26.1 million for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget. For the two outer years, operational revenue will increase by 3.8 and 8.39 (%) per cent respectively, equating to a total revenue growth of R342.8 million over the MTRLF when compared to the 2013/14 financial year. Total operating expenditure for the 2013/14 financial year has been appropriated at R2.7 billion and translates into a budgeted surplus of R18 million. When compared to the 2012/13 Adjustments Budget, operational expenditure has decline by 0.24 per cent in the 2013/14 budget and increases by 3.2 and 6.5 (%) per cent for each of the respective outer years of the MTRLF. The operating surplus for the 2013/14 financial year decreases to R18 million. For the outer years, surplus for the year increased to R35 million and R91 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R1, 3 billion for 2013/14 is 34.6 (%) per cent more when compared to the 2012/13 Adjustment Budget. A substantial portion of the capital budget will be funded from grants over MTRLF in each of the financial years of the MTRLF. The balance will be funded from loans and internally generated funds.

The above revenue and operational and capital expenditure includes the Rustenburg Water Services Trust (RWST).

#### 4. Operating Revenue Framework

For RLM to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines of the circulars;
- Growth in Rustenburg and continued economic development;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

25/02/14

The following table is a summary of the table 2013/14 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

**W373 Rustenburg - Table A4 Consolidated Budgeted Financial Performance (revenue)**

Description	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
thousand					
<b>Revenue By Source</b>					
Property rates	179 459	166 259	175 843	184 704	193 850
Property rates - penalties & collection charges					
Service charges - electricity revenue	1 437 891	1 410 599	1 198 824	1 292 410	1 414 222
Service charges - water revenue	320 768	343 091	339 732	357 144	395 168
Service charges - sanitation revenue	164 083	156 408	194 225	208 836	257 326
Service charges - refuse revenue	73 782	70 418	71 943	79 588	88 126
Service charges - other	1 057	1 939	2 371	2 497	2 529
Rental of facilities and equipment	10 109	10 786	15 360	17 273	18 019
Interest earned - external investments	79 338	69 017	68 996	72 188	75 552
Interest earned - outstanding debtors	88 596	91 798	140 090	116 374	101 315
Dividends received	-	-	-	-	-
Fines	7 417	7 909	9 105	9 568	10 051
Licences and permits	1 844	14 392	11 780	12 075	12 378
Agency services	13 531	14 778	19 977	19 983	21 042
Transfers recognised - operational	282 915	301 273	341 880	368 423	437 175
Other revenue	24 768	33 227	41 075	43 160	45 255
Gains on disposal of PPE	123 506	63 506	100 072	50 000	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>2 809 067</b>	<b>2 755 402</b>	<b>2 729 276</b>	<b>2 834 222</b>	<b>3 072 107</b>

**Table 3 Percentage growth in revenue by main revenue source**

**W373 Rustenburg - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)**

Description	2013/14 Medium Term Revenue & Expenditure Framework							
	Adjusted Budget	Adjusted Budget %	Budget Year 2013/14	Budget Year 2013/14 %	Budget Year +1 2014/15	Budget Year +1 2014/15 %	Budget Year +2 2015/16	Budget Year +2 2015/16 %
thousand								
<b>Revenue By Source</b>								
Property rates	166 259	6.03	175 843	6.44	184 704	6.52	193 850	6.31
Property rates - penalties & collection charges								
Service charges - electricity revenue	1 410 599	51.19	1 198 824	43.85	1 292 410	45.60	1 414 222	48.03
Service charges - water revenue	343 091	12.45	339 732	12.45	357 144	12.60	395 168	12.86
Service charges - sanitation revenue	156 408	5.68	194 225	7.12	208 836	7.37	257 326	8.38
Service charges - refuse revenue	70 418	2.50	71 943	2.61	79 588	2.81	88 126	2.87



Service charges - other	1 939	0.07	2 371	0.09	2 497	0.09	2 629	0.09
Rental of facilities and equipment	10 786	0.39	15 360	0.56	17 273	0.61	18 019	0.59
Interest earned - external investments	69 017	2.50	68 996	2.53	72 188	2.55	75 552	2.46
Interest earned - outstanding debtors	91 798	3.33	140 090	5.13	116 374	4.11	101 315	3.30
Dividends received	-	-	-	-	-	-	-	-
Fines	7 909	0.29	9 105	0.33	9 568	0.34	10 051	0.33
Licences and permits	14 392	0.52	11 780	0.43	12 075	0.43	12 378	0.40
Agency services	14 778	0.54	19 977	0.73	19 983	0.71	21 042	0.68
Transfers recognised - operational	301 273	10.93	341 880	12.53	368 423	13.00	437 175	14.23
Other revenue	33 227	1.21	41 075	1.50	43 160	1.52	45 255	1.47
Gains on disposal of PPE	63 506	2.30	100 072	3.67	50 000	1.76	-	-
Total Revenue (excluding capital transfers and contributions)	2 755 402	100.00	2 729 276	100.00	2 834 222	100.00	3 072 107	100.00

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2012/13 financial year, revenue from rates and services charges totaled R2.1 billion or 77.98 (%) per cent. This decreased to R1.973 billion and increased to R2.1 billion and R2.4 billion in the respective financial years of the MTRBF.

A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 72.5 (%) per cent in 2013/14 to 76.5 per cent in 2015/16. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

There is an average increase of 0.8% for property rates revenue when compared to the adjusted budget and for the two outer years is 6.8% and 6.9%. A slower increase of property rates in 2013/2013 budget year is affected by the slow growth of town and the retrenchment of employment around the mines. It is projected that the economy will start to grow a little bit in the two outer years.

Revenue source of electricity is totaling to 46.8 (%) per cent or R1.197 billion in 2013/2014. Electricity revenue for 2013/2014 budget year decreased further as compared to the 2012/2013 adjustment budget. There is an average decrease of 15.2%. A huge decrease is due to Xstrata closing shutting down some of its shafts. For the outer years, electricity is growing with an average of 8% and 9.4%.

Water revenue for 2013/2014 financial year decreased by an average of 1 % compared to the adjustment budget. In the two outer years, water revenue increased by 5% and 10.6%.

Revenue of sanitation increased in 2013/2014 financial year by 24.2% and for the outer years is 7.5% and 23%.

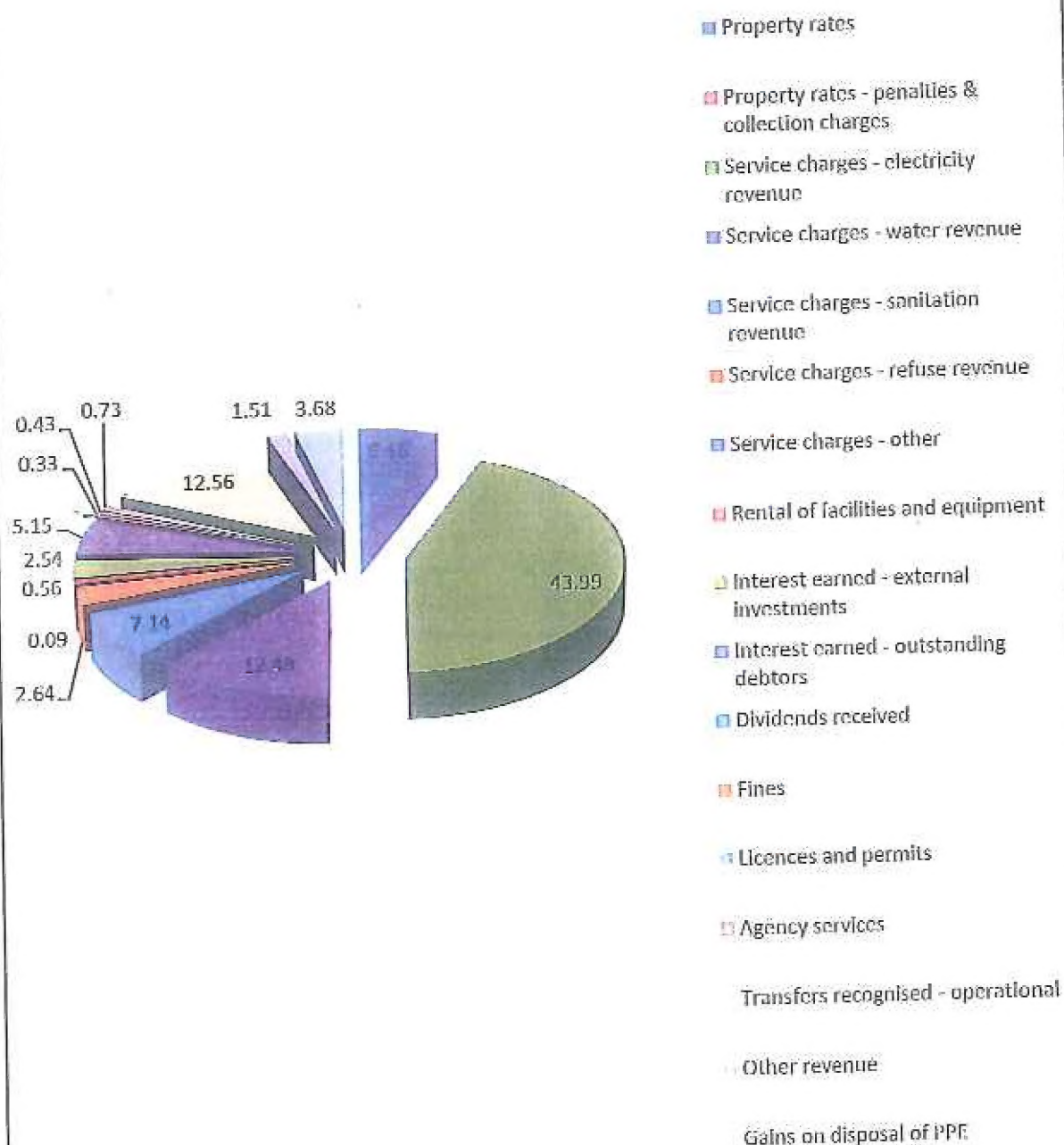
Revenue of refuse increased by 2.2% in 2013/2014 financial year and it further increased to 10.7% in 2015/2016 budget year.

The above increase of revenue of property rates, electricity, water, refuse and sanitation exclude income foregone and includes RWST.

Operational grants is the second largest revenue source totaling 12.56 (%) per cent or R341, 9 million. The third largest revenue source is Water and it is 12.5 (%) per cent or R339.7 million and followed by sanitation at 7.1% and property rates 6.16 (%) per cent or 167 million rand.

The following table gives a breakdown of the revenue category  
**Table 4 revenue by main revenue source**

### Revenue by sources - Budget Year 2013/14





Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom, Magalies Water and Rand Water bulk tariffs are far beyond the mentioned inflation target at 8%, 10% and 9.8% (%) per cent respectively. Given that these tariff increases are determined by external agencies, they have impact on the municipality's electricity and water and these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Rustenburg Local Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Rustenburg Local Municipality has undertaken the tariff setting process relating to service charges as follows.

#### 4.1. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 5 - Proposed Property rates tariff increase**

TARIFF DESCRIPTION	TARRIF 2011/12	CURRENT TARRIF 2012/13	PROPOSED TARRIF 2013/14	PROPOSED TARRIF 2014/15	PROPOSED TARRIF 2015/16	INCREASE 2013/14	% INC 201
	R/C	R/C	R/C	R/C	R/C	R/C	
REBATE EARNINGS < 4500	-0.40	-0.4000	-0.4000	-0.4000	-0.4000	-	60.0000
REBATE EARNINGS BETWEEN 4500 AND 5500	-0.30	-0.3000	-0.3000	-0.3000	-0.3000	-	45.0000
REBATE EARNINGS BETWEEN 5500 AND 6500	-0.20	-0.2000	-0.2000	-0.2000	-0.2000	-	30.0000
GOVERNMENT REBATE 20%	-0.20	-0.2000	-0.2000	-0.2000	-0.2000	-	20.0000
RESIDENTIAL REBATE	-15.000	-56.000	-100.000	-100.000	-150.000	-44.000	78.5714
RESIDENTIAL 1	0.01	0.0051	0.0052	0.0053	0.0056	0.00	2.0000
RES 1 VACANT LAND	0.01	0.0075	0.0079	0.0080	0.0084	0.00	5.0000
RESIDENTIAL 2-4	0.01	0.0051	0.0052	0.0053	0.0056	0.00	2.0000
RES 2-4 VACANT LAND	0.01	0.0075	0.0079	0.0080	0.0084	0.00	5.0000
BUSINESS/COMMERCIAL	0.02	0.0181	0.0193	0.0197	0.0207	0.00	5.0000



INDUSTRIAL	0.02	0.0189	0.0199	0.0203	0.0213	0.00	5.0000
GOVERNMENT	0.02	0.0176	0.0184	0.0188	0.0197	0.00	5.0000
EDUCATIONAL	0.02	0.0176	0.0184	0.0188	0.0197	0.00	5.0000
MINING	0.02	0.0189	0.0200	0.0204	0.0214	0.00	5.4000
AGRIC RESIDENTIAL	0.00	0.0013	0.0013	0.0014	0.0014	0.00	5.0000
AGRIC VACANT LAND	0.01	0.0075	0.0079	0.0080	0.0084	0.00	5.0000
AGRIC BUSINESS/INDUSTRIAL	0.02	0.0189	0.0199	0.0203	0.0213	0.00	5.0000
AGRICULTURAL	0.00	0.0013	0.0013	0.0014	0.0014	0.00	5.0000
PRIVATE ROAD	0.01	0.0051	0.0054	0.0055	0.0058	0.00	5.0000
GUEST HOUSES	0.01	0.0065	0.0068	0.0069	0.0073	0.00	5.0000
PRIVATE SCHOOLS			0.0190	0.0194	0.0203	0.02	-
CHFS			0.0190	0.0194	0.0203	0.02	-
PRIVATE OWNED TOWN			0.0026	0.0027	0.0028	0.00	-
VACANT - BUSINESS			0.0202	0.0203	0.0216	0.02	-
PRIVATE OPEN SPACES	0.01	0.0053	0.0056	0.0057	0.0060	0.00	5.0000

#### 4.2. Sale of Water and Impact of Tariff Increases

The revision in the water tariff is necessities by the high demand of water in relation to the municipal aging water infrastructure, the cost of maintaining the water purification plants, water networks and the cost associated with the reticulation expansion:

Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and are designed to encourage efficient and sustainable consumption.

Rand Water has increased its bulk tariffs with 9.8(%) per cent and Magalies water increased by 10 (%) per cent from 1 July 2013. Considering the Rand water and Magalies Water increases, the consumer tariff had to be increased by 5(%) per cent.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Consumption

TARRIF DESCRIPTION	OLD TARRIF	CURRENT TARRIF	PROPOSED TARRIF 2013/14	PROPOSED TARRIF 2014/15	PROPOSED TARRIF 2015/16	INCREASE 2013/14	% INCREASE 2013/14
	R	R	R / C	R / C	R / C	R / C	
RESIDENTIAL 1(0-12kl)	8.88	8.88	9.3259	9.7922	10.2818	0.44	5.0000
RESIDENTIAL 1(13 - 25)	10.25	10.2500	10.7625	11.3006	11.8657	0.51	5.0000

RESIDENTIAL 1(26 - 40kl)	11.19	11.7500	12.3375	12.9544	13.6021	0.59	5.0000
RESIDENTIAL 1(41 - 60kl)	12.20	13.3000	13.9650	14.6633	15.3964	0.67	5.0000
RESIDENTIAL 1(61 kl +)	13.21	14.4000	15.1200	15.8760	16.6698	0.72	5.0000
RESIDENTIAL 1	8.88	8.8818	9.3259	9.7922	10.2818	0.44	5.0000
RESIDENTIAL 1	10.25	10.2491	10.7616	11.2996	11.8646	0.51	5.0000
RESIDENTIAL 1	11.19	11.7464	12.3337	12.9504	13.5979	0.59	5.0000
RESIDENTIAL 1	12.20	13.3024	13.9675	14.6659	15.3992	0.67	5.0000
RESIDENTIAL 1	13.21	14.3986	15.1185	15.8745	16.6682	0.72	5.0000
RESIDENTIAL 2-4	8.88	8.8818	9.3259	9.7922	10.2818	0.44	5.0000
RESIDENTIAL 2-4	10.25	10.2491	10.7616	11.2996	11.8646	0.51	5.0000
RESIDENTIAL 2-4	11.19	11.7464	12.3337	12.9504	13.5979	0.59	5.0000
RESIDENTIAL 2-4	12.20	13.3024	13.9675	14.6659	15.3992	0.67	5.0000
BUSINESS/COMMERCIAL	11.05	12.0460	12.6483	13.2807	13.9448	0.60	5.0000
BUSINESS	11.05	12.0460	12.6483	13.2807	13.9448	0.60	5.0000
INDUSTRIAL	11.05	12.0460	12.6483	13.2807	13.9448	0.60	5.0000
GOVERNMENT	11.05	12.0460	12.6483	13.2807	13.9448	0.60	5.0000
WATER SUPPLIER	11.05	12.0460	12.6483	13.2807	13.9448	0.60	5.0000
CHURCH	11.05	11.6040	12.1842	12.7934	13.4331	0.58	5.0000
EDUCATIONAL	11.05	11.6040	12.1842	12.7934	13.4331	0.58	5.0000
HIRING	11.05	12.0460	12.6483	13.2807	13.9448	0.60	5.0000
BOSPOORT	11.05	11.6040	12.1842	12.7934	13.4331	0.58	5.0000
AGRICULTURAL RES 1	8.88	8.8818	9.3259	9.7922	10.2818	0.44	5.0000
AGRICULTURAL RES 1	10.25	10.2491	10.7616	11.2996	11.8646	0.51	5.0000
AGRICULTURAL RES 1	11.19	11.7464	12.3337	12.9504	13.5979	0.59	5.0000
AGRICULTURAL RES 1	12.20	13.3024	13.9675	14.6659	15.3992	0.67	5.0000
AGRICULTURAL RES 1	13.21	14.3986	15.1185	15.8745	16.6682	0.72	5.0000
AGRICULTURAL BUS/COMM	11.05	12.0460	12.6483	13.2807	13.9448	0.60	5.0000
AGRICULTURAL INDUSTRIAL	11.05	12.0460	12.6483	13.2807	13.9448	0.60	5.0000
MUNICIPAL	11.05	11.6040	12.1842	12.7934	13.4331	0.58	5.0000
SPECIAL	8.88	9.6812	10.1653	10.6735	11.2072	0.48	5.0000



Table 7 Proposed Water Basic.

TARRIF DESCRIPTION	OLD TARRIF	CURRENT TARRIF	PROPOSED TARRIF 2013/14	PROPOSED TARRIF 2014/15	PROPOSED TARRIF 2015/16	INCREASE 2013/14	% INCREASE 2013/14
	R	R	R/C	R/C	R/C	R/C	
RESIDENTIAL 1	45.38	50.5064	53.0317	55.6833	58.4675	2.53	5.0000
RESIDENTIAL 2-4	45.38	50.5064	53.0317	55.6833	58.4675	2.53	5.0000
BUSINESS/COMMERCIAL	45.38	52.4304	55.0520	57.8046	60.6948	2.62	5.0000
INDUSTRIAL	45.38	52.4304	55.0520	57.8046	60.6948	2.62	5.0000
GOVERNMENT	45.38	50.5064	53.0317	55.6833	58.4675	2.53	5.0000
CHURCH	45.38	50.5064	53.0317	55.6833	58.4675	2.53	5.0000
EDUCATIONAL	45.38	50.5064	53.0317	55.6833	58.4675	2.53	5.0000
MINING	45.38	52.4304	55.0520	57.8046	60.6948	2.62	5.0000
AGRICULTURAL RES 1	45.38	50.5064	53.0317	55.6833	58.4675	2.53	5.0000
AGRICULTURAL BUS/COMM	45.38	52.4304	55.0520	57.8046	60.6948	2.62	5.0000
AGRICULTURAL INDUST	45.38	52.4304	55.0520	57.8046	60.6948	2.62	5.0000
MUNICIPAL	45.38	50.5064	53.0317	55.6833	58.4675	2.53	5.0000
SPECIAL	45.38	50.5064	53.0317	55.6833	58.4675	2.53	5.0000

4.3. Sale of Electricity and Impact of Tariff Increases  
 NERSA has approved increase of 8 (%) per cent for Eskom bulk electricity tariff to municipalities. An increase will be effective from 1 July 2013.

Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the

municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that Rustenburg Local Municipality has implemented an incline bulk tariff structure. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Rustenburg Local Municipality. The upgrading of the municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

The approved budget for the Electrical department can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

**Table 8 Proposed electricity consumption**

The proposed increase for electricity is 6.8% for all tariffs except residential block 1 and 2 which is an increase of 5.8%.

TARIFF DESCRIPTION	OLD TARIFF	CURRENT TARIFF	PROPOSED TARIFF 2013/14	PROPOSED TARIFF 2014/15	PROPOSED TARIFF 2015/16	INCREASE 2013/14	% INCREASE
	R/C	R/C	R/C	R/C	R/C	R/C	
RESIDENTIAL 1	0.80	Discontinued	Discontinued				
RESIDENTIAL BLOCK 1(0-50 kWh)	-	0.6600	0.6983	0.7388	0.7816	0.04	5.8000
RESIDENTIAL BLOCK 2(51- 350kWh)	-	0.8200	0.8676	0.9179	0.9711	0.05	5.8000
RESIDENTIAL BLOCK 3(351- 600kWh)	-	0.9400	1.0039	1.0722	1.1451	0.06	6.8000
RESIDENTIAL BLOCK4(601 - and above)	-	1.1200	1.1962	1.2775	1.3614	0.08	6.8000
GOVERNMENT	0.69	1.1103	1.1858	1.2664	1.3526	0.0755	6.8000
CHURCH	0.69	1.1103	1.1858	1.2664	1.3526	0.0755	6.8000
EDUCATIONAL	0.82	1.1103	1.1858	1.2664	1.3526	0.0755	6.8000
MUNICIPAL	0.34	0.8882	0.9486	1.0131	1.0820	0.0604	6.8000

#### 4.4. Sanitation and Impact of Tariff Increases

There is a proposed increase of 5 (%) per cent for sanitation. This is based on the input cost assumptions related to water.



The following table compares the current and proposed tariffs:

**Table 9 Proposed Sanitation tariff**

TARRIF DESCRIPTION	OLD TARRIF R	CURRENT TARRIF R	PROPOSED TARRIF 2013/14 R / C	PROPOSED TARRIF 2014/15 R / C	PROPOSED TARRIF 2015/16 R / C	INCREASE 2013/14 R / C	% INCR 2013/14
RESIDENTIAL 1	83.34	94.1742	98.8829	103.8271	109.0184	4.71	5.1
RESIDENTIAL 2-4	83.34	94.1742	98.8829	103.8271	109.0184	4.71	5.1
BUSINESS/COMMERCIAL	83.34	98.8829	103.8271	109.0184	114.4693	4.94	5.1
PRIVATE HOTEL/BOARDING HOUSE	83.34	102.6499	107.7824	113.1715	118.8301	5.13	5.1
HOTEL INTERMS LIQUOR ACT 1928	83.34	102.6499	107.7824	113.1715	118.8301	5.13	5.1
HOSPITAL/NURSING/MATERNITY	83.34	102.6499	107.7824	113.1715	118.8301	5.13	5.1
AMATEUR SPORT CLUB	83.34	102.6499	107.7824	113.1715	118.8301	5.13	5.1
INDUSTRIAL	83.34	102.6499	107.7824	113.1715	118.8301	5.13	5.1
CO. OPTIONAL SERVICES	83.34	98.8829	103.8271	109.0184	114.4693	4.94	5.1
CHURCH	83.34	98.8829	103.8271	109.0184	114.4693	4.94	5.1
CHURCH AND OTHER HALL	83.34	102.6499	107.7824	113.1715	118.8301	5.13	5.1
DAY CARE SCHOOL	83.34	102.6499	107.7824	113.1715	118.8301	5.13	5.1
HOSTEL/BOARDING SCHOOL	83.34	94.1742	98.8829	103.8271	109.0184	4.71	5.1
AGRICULTURAL	83.34	98.8829	103.8271	109.0184	114.4693	4.94	5.1
PUBLIC AMENITIES	83.34	102.6499	107.7824	113.1715	118.8301	5.13	5.1
BUILDING SITES	83.34	94.1742	98.8829	103.8271	109.0184	4.71	5.1
MONNAKATO	83.34	94.1742	98.8829	103.8271	109.0184	4.71	5.1

#### 4.5. Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a surplus.

A five (5 %) per cent increase for waste removal tariff is proposed from 1 July 2013. Higher increases will not be viable in 2013/14 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6(%) per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts:

**Table 10 Proposed Wasted Removal tariffs**

TARRIF DESCRIPTION	OLD TARRIF R	CURRENT TARRIF R	PROPOSED TARRIF 2013/14 R / C	PROPOSED TARRIF 2014/15 R / C	PROPOSED TARRIF 2015/16 R / C	INCREASE 2013/14 R / C	% INCREASE
STD CONTAINER 1 X WEEK RES 1	81.93	86.8458	91.1881	95.7475	100.5349	4.34	5.0001
STD CONTAINER 1 X WEEK RES 2-4	81.93	86.8458	91.1881	95.7475	100.5349	4.34	5.0001
STD CONTAINER 2 X WEEK BUS/COM	194.93	206.6258	221.0696	236.5659	253.1255	14.46	7.0001
BULK CONTAINER 1 X WEEK 1.5m3	1 094.69	1 160.3714	1 218.3900	1 279.3095	1 343.2749	58.02	5.000
BULK CONTAINER ADD 1.5m3	953.44	010.6464	1 061.1787	1 114.2377	1 169.9495	50.53	5.000
BULK CONTAINER 1 X WEEK	4 364.63	4	4 857.8332	5 100.7248	5 355.7611	231.33	5.000

13		626.5078					
ILK CONTAINER ADDITIONAL	3 375.88	3 578.4328	3 757.3544	3 945.2222	4 142.4833	178.92	5.0000
13							
ILK CONTAINER 240L	217.53	230.5818	242.1109	254.2164	266.9273	11.53	5.0000
ILK CONTAINER ADD 240L	179.39	190.1534	199.6611	209.6441	220.1263	9.51	5.0000
ILK CONTAINER ADD 4m3	374.31	396.7886	416.6070	437.4374	459.3093	19.84	5.0000
13P							
ILK CONTAINER ADD 6m3	423.75	449.1750	471.6338	495.2154	519.9762	22.46	5.0000
13P							
ENT BULK CONTAINER 240L	48.03	50.9118	53.4574	56.1303	58.9368	2.55	5.0000
ENT BULK CONTAINER 4m3	423.75	449.1750	471.6338	495.2154	519.9762	22.46	5.0000
13P							
ENT BULK CONTAINER 6m3	480.25	509.0850	534.5183	561.2442	589.3064	25.45	5.0000
13P							
ENTAL BULK CONTAINER	120.06	127.2636	133.6208	140.3081	147.3235	6.36	5.0000
5m3							
DUSTRIAL	93.23	98.8238	105.7415	113.1434	121.0834	6.92	7.0
OVERNMENT	81.93	86.8458	91.1881	95.7475	100.5349	4.34	5.0000
HURCH	81.93	86.8458	91.1881	95.7475	100.5349	4.34	5.0000
EDUCATIONAL	81.93	86.8458	91.1881	95.7475	100.5349	4.34	5.0000
INING	81.93	86.8458	92.9250	99.4208	106.3898	6.08	7.0000
GRICULTURAL	1 101.75	1 167.8650	1 226.2478	1 287.5601	1 351.9381	58.39	5.0000
UNICIPAL	81.93	86.8458	91.1881	95.7475	100.5349	4.34	5.0000
PECIAL	649.75	688.7350	736.9465	788.6327	843.7300	48.21	7.0000
ARCASS REMOVAL	186.45	197.6370	207.5189	217.8918	228.7885	9.88	5.0000
IARIKANA RESIDENTIAL	81.93	86.8458	91.1881	95.7475	100.5349	4.34	5.0000
IARIKANA BUSINESS	104.93	206.6258	221.0096	236.5659	253.1255	14.46	7.0000
IONNAKATO RESIDENTIAL	81.93	86.8458	91.1881	95.7475	100.5349	4.34	5.0000
PECIAL	81.93	86.8458	91.1881	95.7475	100.5349	4.34	5.0000

Annexure B is all the tariffs of the municipality.

#### 4.6. Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.  
Note that in all instances the overall impact of the tariff increases on household's bills has been kept at 5.9 per cent.



**Table 11 MBRR Table SA14 – Household bills**

**NW373 Rustenburg - Supporting Table SA14 Household bills**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14 % Incr.	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Randicent</b>									
<b>Monthly Account for Household - 'Middle Income Range'</b>									
<b>Rates and services charges:</b>									
Property rates	124.67	274.00	279.07	279.07	279.07	2.0%	260.00	265.20	270.50
Electricity: Basic levy	144.29	171.71	200.32	200.32	200.32	5.6%	235.32	248.97	268.41
Electricity: Consumption	577.50	697.20	800.00	800.00	962.00	5.6%	1 017.80	1 076.83	1 139.28
Water: Basic levy	36.28	42.81	45.38	45.38	45.38	5.0%	50.02	52.53	55.15
Water: Consumption	199.82	261.73	295.76	295.76	295.76	5.0%	319.55	326.08	342.38
Sanitation	66.67	83.34	94.17	94.17	94.17	5.0%	98.89	103.82	109.01
Refuse removal	65.54	81.93	86.85	86.85	86.85	5.0%	95.75	100.54	105.56
Other	-	-	-	-	-	-	-	-	-
<b>sub-total</b>	<b>1 214.77</b>	<b>1 692.72</b>	<b>1 801.55</b>	<b>1 801.55</b>	<b>1 963.55</b>	<b>14.8%</b>	<b>2 068.31</b>	<b>2 173.96</b>	<b>2 290.29</b>
<b>VAT on Services</b>	<b>152.61</b>	<b>186.02</b>	<b>213.15</b>	<b>213.15</b>	<b>235.83</b>	<b>14.00%</b>	<b>253.16</b>	<b>267.73</b>	<b>282.77</b>
<b>Total household bill:</b>	<b>1 367.38</b>	<b>1 788.74</b>	<b>2 014.70</b>	<b>2 014.70</b>	<b>2 199.38</b>	<b>15.2%</b>	<b>2 321.48</b>	<b>2 441.19</b>	<b>2 573.06</b>
<b>% increase/decrease</b>		<b>30.8%</b>	<b>12.6%</b>	<b>-</b>	<b>9.2%</b>		<b>-</b>	<b>5.2%</b>	<b>5.4%</b>
<b>Monthly Account for Household - 'Affordable Range'</b>									
<b>Rates and services charges:</b>									
Property rates	124.67	194.00	192.40	192.40	192.40	2.0%	173.33	176.60	180.33
Electricity: Basic levy	144.29	171.71	200.32	200.32	200.32	5.6%	235.32	248.97	268.41
Electricity: Consumption	288.75	343.60	413.65	413.65	420.00	5.8%	444.26	470.13	497.40
Water: Basic levy	36.28	42.81	45.38	45.38	45.38	5.0%	50.03	52.53	55.16
Water: Consumption	166.61	212.23	239.81	239.81	239.81	5.0%	251.00	264.39	277.61
Sanitation	66.67	83.34	94.17	94.17	94.17	5.0%	98.88	103.82	109.01
Refuse removal	65.54	81.93	86.85	86.85	86.85	5.0%	95.75	100.54	105.56
Other	-	-	-	-	-	-	-	-	-
<b>sub-total</b>	<b>692.71</b>	<b>1 129.02</b>	<b>1 272.50</b>	<b>1 272.50</b>	<b>1 270.93</b>	<b>6.0%</b>	<b>1 349.47</b>	<b>1 417.18</b>	<b>1 493.48</b>

	107.53	130.09	151.23	151.23	152.11	14.00%	184.66	173.65	183.84
VAT on Services	1 000.24	1 260.61	1 423.81	1 423.81	1 431.04	6.3%	1 514.13	1 590.84	1 677.32
Total small household bill:		26.0%	12.9%	-	0.5%		-	5.1%	5.4%
% increase/decrease			-0.50	-1.00	-				
Monthly Account for Household - Indigent Household receiving free basic services									
Costs and services charges:									
Property rates	124.07	114.00	105.73	105.73	105.73	2.0%	86.67	88.40	90.17
Electricity: Basic levy	144.29	171.71	200.32	200.32	200.32	5.8%	235.32	248.97	268.41
Electricity: Consumption	173.25	208.16	218.19	248.19	238.00	5.6%	251.80	268.41	281.66
Water: Basic levy	36.28	42.81	45.38	45.38	45.38	5.0%	50.03	52.53	55.16
Water: Consumption	53.28	49.60	51.25	51.25	51.25	5.0%	53.81	58.50	59.33
Sanitation	66.67	83.34	94.17	94.17	94.17	5.0%	98.88	103.82	109.01
Refuse removal	65.54	81.93	86.85	86.85	86.85	5.0%	95.75	100.54	105.56
Other	-	-	-	-	-	-	-	-	-
sub-total	663.98	749.45	831.89	831.89	821.70	4.9%	872.27	917.17	969.50
VAT on Services	75.50	88.96	101.66	101.66	100.24	14.00%	109.98	116.03	123.11
Total small household bill:	739.48	838.41	933.55	933.55	921.94	5.2%	982.25	1 033.20	1 092.60
% increase/decrease		13.4%	11.3%	-	(1.2%)		-	5.2%	5.7%

The above monthly account for household – Middle income range is based on property value R700, 000.00, electricity consumption of 1,000kWh and water consumption of 30kl per month. The proposed account for 2013/2014 financial year amount to R2, 321.48 inclusive of VAT. Property value is rebate for 2013/2014 is R100, 000.00. The average increase is 5%. The account for the two outer years amount to R2, 441.19 and R2, 573.06 inclusive of VAT.

The monthly account for household - affordable range used the base of property value of R500, 000.00, electricity consumption of 500kWh and water consumption of 25kl per month. The average increase is 5%. For property rate there is a rebate of R100, 000.00. The monthly household for 2013/2014 is R1, 513.14 and the two outer years is R1, 590.84 and R1, 677.32 respectively.

Monthly account for household – indigent household receiving free basic services was based on the property value of R300, 000, electricity and water consumption of 350kWh and 25kl respectively. A total rebate for 2013/2014 financial year will be R985.25 per month and for the outer years is R1, 033.20 and R1, 092.60 respectively.

### 5. Operating Expenditure Framework

The Municipality's expenditure framework for the 2013/14 budget and MTRBF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;

Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;

- The capital programme is aligned to the asset renewal and backlog eradication;



• Operational gains and efficiencies will be directed to funding the capital budget and other core services; and  
The following table is a high level summary of the 2013/14 budget and MTREF (classified per main type of operating expenditure):

**Table 12 Summary of operating expenditure Financial Performance (expenditure)**

**NW373 Rustenburg - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)**

Description R thousand	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Expenditure By Type</b>							
Employee related costs	403 055	412 163	412 163	412 163	462 746	498 513	532 216
Remuneration of councillors	23 785	23 870	23 870	23 870	26 919	28 669	30 533
Debt Impairment	61 782	101 375	101 375	101 375	206 380	183 248	146 452
Depreciation & asset impairment	124 318	124 620	124 620	124 620	286 185	303 458	320 926
Finance charges	38 923	38 923	38 923	38 923	53 232	50 154	86 244
Bulk purchases	1 459 248	1 307 198	1 307 198	1 307 198	998 736	1 080 379	1 171 097
Other materials	127 892	141 671	141 671	141 671	155 289	163 199	173 276
Contracted services	186 428	209 643	209 643	209 643	224 225	229 231	241 677
Transfers and grants	289	289	289	289	476	485	488
Other expenditure	282 071	357 461	357 461	357 461	298 605	281 213	277 072
Loss on disposal of PPE	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>2 707 791</b>	<b>2 717 214</b>	<b>2 717 214</b>	<b>2 717 214</b>	<b>2 710 794</b>	<b>2 798 549</b>	<b>2 980 641</b>

**Table 13 Summary growth of operating expenditure Financial Performance (expenditure)**

**NW373 Rustenburg - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)**

Description R thousand	2013/14 Medium Term Revenue & Expenditure Framework							
	Adjusted Budget	Adjusted Budget %	Budget Year 2013/14	Budget Year 2013/14 %	Budget Year +1 2014/15	Budget Year +1 2014/15 %	Budget Year +2 2015/16	Budget Year +2 2015/16 %
<b>Expenditure By Type</b>								
Employee related costs	412 163	15.17	462 746	17.07	462 746	17.07	498 513	17.81
Remuneration of councillors	23 870	0.88	26 919	0.99	26 919	0.99	28 669	1.02
Debt Impairment	101 375	3.73	206 380	7.61	206 380	7.61	183 248	6.55
Depreciation & asset impairment	124 620	4.59	286 185	10.56	286 185	10.55	303 458	10.84
Finance charges	38 923	1.43	53 232	1.96	53 232	1.96	50 154	1.79
Bulk purchases	1 307 198	48.11	998 736	36.77	998 736	36.77	1 080 379	38.60
Other materials	141 671	5.21	155 289	5.73	155 289	5.73	163 199	5.83
Contracted services	209 643	7.72	224 225	8.27	224 225	8.27	229 231	8.10
Transfers and grants	289	0.01	476	0.02	476	0.02	485	0.02
Other expenditure	357 461	13.10	298 605	11.02	298 605	11.02	281 213	9.83
Loss on disposal of PPE	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>2 717 214</b>	<b>100.00</b>	<b>2 710 794</b>	<b>100.00</b>	<b>2 710 794</b>	<b>100.00</b>	<b>2 798 549</b>	<b>100.00</b>

The budgeted allocation for employee related costs for the 2013/14 financial year totals R462.7 million, which equals 17.13 (%) per cent of the total operating expenditure and equals to 17.87% and 17.9% in the outer years. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7.2 (CPI, 5.7 + 1.5) (%) per cent for the 2013/14 financial year. An annual increase of 6.5 (%) per cent has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Rustenburg local Municipality's budget. Remuneration of councillors equates to 1% to the 2013/2014 operating expenditure and increases to 1.03% and 1.03% to the outer years.

The provision of debt impairment was determined based on an annual collection rate of 94, 95.7 and 97.6 per cent for 2013/2014 MTREF and the Debt Write-off Policy and credit control policy of Rustenburg local municipality. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. Debt impairment comprises 7.64% of the total expenditure for 2013/2014 budget year.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. In the process of implementing GRAP 17 Rustenburg Local Municipality has chosen to Revaluation model and revalued the existing assets. The impact of this choice has been to massively increase the 'value' of assets reflected on municipalities' Statement of Financial Positions, leading to higher levels of depreciation being reflected on their Budgeted Statements of Financial Performance. In MFMA no.56 of 2003 Circular no.58 National Treasury has examined the budgeting and accounting treatment of depreciation resulting from the application of the 'revaluation model' to assets in terms of GRAP 17 and determined that including such depreciation in the Budgeted Statements of Financial Performance artificially inflates the municipalities' actual depreciation and distorts the surplus/(deficit) calculation. Therefore municipalities that have chosen the 'revaluation model' when implementing GRAP 17 must exclude the depreciation resulting from the revaluation of Property Plant and Equipment when preparing their budgets and calculating any tariff increases. Total depreciation of Property, Plant and Equipment R436 million for 2013/2014 and for the two outer years is R453 million and R471 million. Depreciation resulting from revaluation is R302 million in 2013/2014, R314 million in 2014/2015 and R325 million in 2015/2016. The Budget appropriations in this regard total R134 million for the 2013/14 financial and equates to 4.6 (%) per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1.97 per cent (R53 million) of operating expenditure. The increase of finance charges resulted in additional loans that municipality and entity will take during 2013/2014 financial year and the two outer years. Rustenburg Local Municipality will take a loan from DBSA. The first trench will be R299.3 million in 2013/2014, R110 million and R27.5 million in the outer years. The loans will be incurred for capital expenditure on property, plant and equipment. The entity (RWS1) will take a loan of R50 million in the 2013/2014 financial year and R352, 5 million 2014/2015 financial year.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water and Magalies water. The annual price increases have been factored into the budget appropriations



and directly inform the revenue provisions. The expenditures include distribution losses. Budget appropriations in this regard amount to R1, 1 billion from the 2013/14 financial year and equates to 42 per cent (%) of the total operating expenditure and 44% and 45% for 2014/2015 and 2015/2016 financial year. There is an increase of 8 percent for Eskom, 9.8% of Rand water and 10% of Magalies Water. The electricity purchase for Xstrata is sold at cost price and it doesn't generate revenue. RLM is buying electricity at 8 per cent from Eskom and it will sell it at 5.68 per cent to Xstrata.

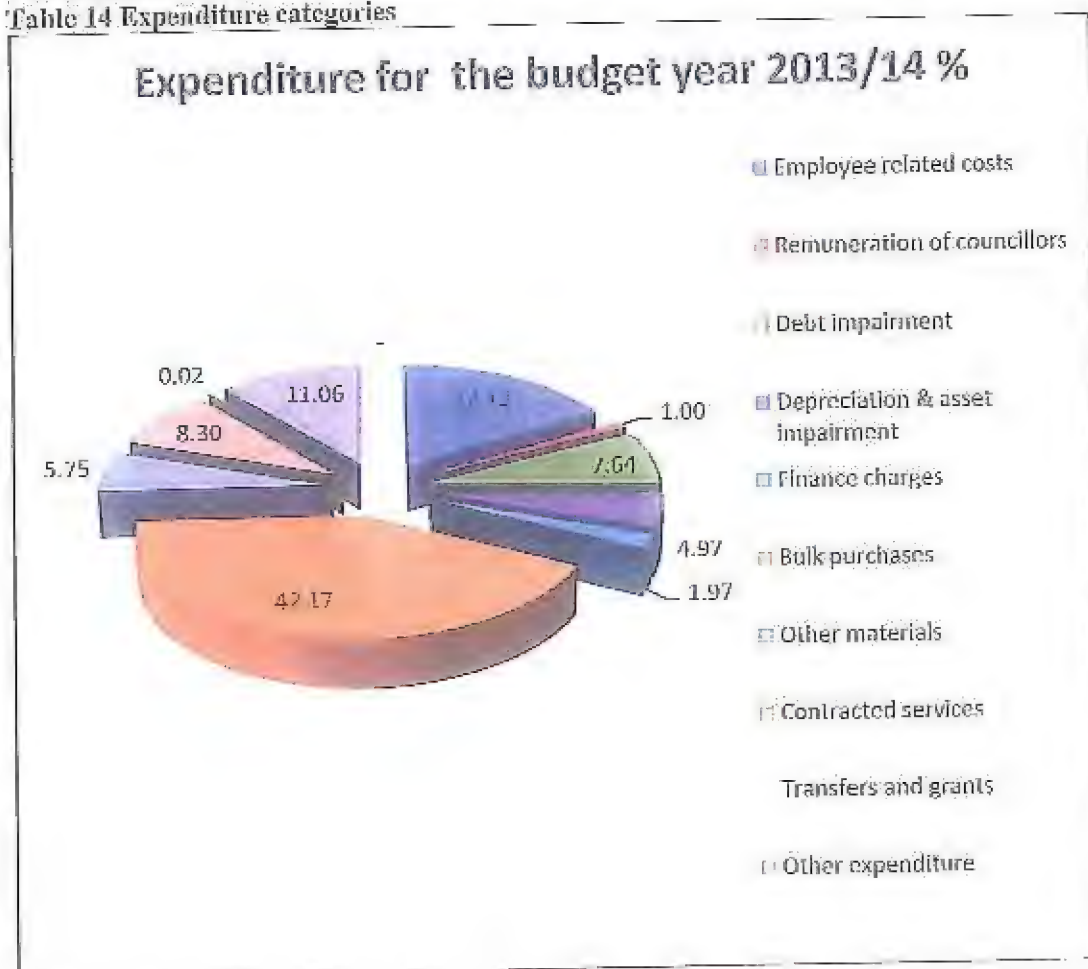
**Other materials** comprise of amongst others the materials for maintenance. The group of expenditure for repairs and maintenance has been prioritised to ensure sustainability of the RLM infrastructure. For 2013/14 the appropriation against this group of expenditure has grown by 5.75 per cent (R155.3 million) and increased further by 5.8 and 5.83 (%) for the outer years.

**Contracted services** have been identified as a cost saving area for the Rustenburg local Municipality. In the 2013/14 budget year, this group of expenditure totals R224.2 million (8.3%) and for the two outer years is 8.2% and 8.1 % of total operating expenditure. From the total of R224.2 million for contracted services, there is R74.8 million of RWST for contracted services in 2013/2014 financial year.

**Other expenditure** comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which savings and efficiencies can be achieved. There is a decrease of 16.5 (%) percent in 2013/2014 budget year as compared to 2012/2013 adjusted budget. For 2013/2014 financial year, the other expenditure comprised 11% of total expenditure and 9% for the two outer years.

The following table gives a breakdown of the main expenditure categories for the 2013/14 financial year.

**Table 14 Expenditure categories**





Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 15 Operational repairs and maintenance**

NW373 Rustenburg - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'								
	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Repairs and Maintenance by Expenditure Item								
Other materials	28 970	30 528	68 237	127 892	141 671	155 289	163 199	173 276
Total Repairs and Maintenance expenditure	28 970	30 528	68 237	127 892	141 671	155 289	163 199	173 276

During the compilation of the 2013/14 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Rustenburg local Municipality infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 9.61 per cent in the 2013/14 financial year, from R142 million to R155 million. In relation to the total operating expenditure, repairs and maintenance comprises of 5.75, 5.85 and 5.83 (%) per cent for the respective financial years of the 2013/2014 MTREF.

For the 2013/14 financial year a huge budget for repairs and maintenance will be spent on infrastructure assets.

#### **Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the RLM Indigent Policy. The cost of the social package of the registered indigent households is largely financed by National government through the local government equitable share received in terms of the annual Division of Revenue Act.

## **6. Capital expenditure**

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 16 2013/14 Medium-term capital budget per vote**

Vote Description	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand					
<b>Capital Expenditure - Standard</b>					
<i>Governance and administration</i>	32 239	32 802	5 830	4 896	3 039
<i>Executive and council</i>	30 294	29 214	664	242	200
<i>Budget and treasury office</i>	256	2 070	361	370	310
<i>Corporate services</i>	1 688	1 518	4 785	4 334	2 525
<i>Community and public safety</i>	22 131	29 092	54 636	9 794	4 057
<i>Community and social services</i>	4 074	6 162	5 366	2 997	1 763

Sport and recreation	9 650	6 950	6 928	942	1 920
Public safety	8 070	15 830	9 343	5 855	374
Housing	340	150	33 000	-	-
Health	-	-	-	-	-
<b>Economic and environmental services</b>	<b>502 624</b>	<b>567 083</b>	<b>704 265</b>	<b>804 580</b>	<b>810 515</b>
Planning and development	39 115	38 911	48 614	40 080	20 515
Road transport	463 309	528 171	655 021	764 500	780 000
Environmental protection	700	-	630	-	-
<b>Trading services</b>	<b>341 267</b>	<b>312 259</b>	<b>532 493</b>	<b>975 153</b>	<b>209 273</b>
Electricity	83 957	72 990	198 755	42 885	38 760
Water	85 420	103 903	119 510	229 698	51 500
Waste water management	132 600	101 075	145 049	628 892	64 838
Waste management	39 290	34 290	69 173	73 488	54 175
Other	16 409	34 413	16 436	16 090	15 000
<b>Total Capital Expenditure - Standard</b>	<b>914 673</b>	<b>975 649</b>	<b>1 313 659</b>	<b>1 810 422</b>	<b>1 041 880</b>

For 2013/14 financial year, more than R1 billion has been appropriated for the development of infrastructure which represents 90.4 (%) per cent of the total capital budget. In the outer years this amount totals R1 billion, 96.1 (%) per cent and 95.9 (%) per cent respectively for each of the financial years. Road transport received the highest allocation of R655 million mainly because of P1ST grant received for the project of Rustenburg Rapid transport and municipal Infrastructure grant in 2013/ 2014 budget year. Unit of electricity receives the second highest allocation of R198.7 million in 2013/14 budget year followed by water management at R103 million and waste water at R101 million. Capital budget of waste water and water include RWST.

**Table 17 2013/14 Medium-term capital budget by vote**

**VW373 Rustenburg - Table A5 Consolidated Budgeted Capital Expenditure by vote and standard classification.**

Vote Description	2013/14 Medium Term Revenue & Expenditure Framework							Budget Year +, 2015/16 %
	Adjusted Budget	Adjusted Budget %	Budget Year 2013/14	Budget Year 2013/14 %	Budget Year +1 2014/15	Budget Year +1 2014/15 %	Budget Year +2 2015/16	
R thousand								
<b>Capital expenditure - Vote</b>								
<i>Multi-year expenditure: to be appropriated</i>								
<b>Vote 1 - EXECUTIVE MAYOR</b>	1 137	0.12	211	0.02	100	0.01	100	0.01
<b>Vote 2 - MUNICIPAL MANAGER</b>	484	0.05	453	0.03	142	0.01	100	0.01
<b>Vote 3 - CORPORATE SUPPORT SERVICES</b>	29 111	2.98	4 785	0.36	4 334	0.24	2 525	0.24
<b>Vote 4 - BUDGET AND TREASURY OFFICE</b>	2 070	0.21	381	0.03	320	0.02	310	0.03
<b>Vote 5 - PUBLIC SAFETY</b>	16 830	1.73	9 343	0.71	5 854	0.32	374	0.01
<b>Vote 6 - PLANNING &amp; HUMAN SETTLEMENT</b>	27 930	2.86	77 080	5.87	36 000	1.99	16 000	1.54
<b>Vote 7 - LOCAL ECONOMIC DEVELOPMENT</b>	11 132	1.14	5 164	0.39	4 060	0.23	4 515	0.43
<b>Vote 8 - COMMUNITY DEVELOPMENT</b>	13 112	1.34	12 284	0.94	3 939	0.22	3 683	0.35



Vote 9 - TECHNICAL AND INFRASTRUCTURE	847 913	56.91	1 103 949	84.04	1 065 653	59.86	1 014 273	97.35
Vote 10 - RUSTENBURG WATER SERVICE TRUST	25 900	2.65	100 000	7.61	690 000	38.11	-	-
Capital multi-year expenditure	975 649	100.00	1 313 659	100.00	1 810 422	100.00	1 041 880	100.00

The core business of the municipality is service delivery. Huge capital budget is allocated to Directorate Technical and Infrastructure services. The allocation for 2013/2014 budget year for Directorate Technical and Infrastructure services is at 84.04% and the second biggest is Rustenburg Water Services Trust at 7.61% and followed by Directorate Planning and Human Settlement at 5.87%.

Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Construction of Rustenburg Rapid Transport – R1750 million for 2013/2014 MTREF;
- Installation of pre-paid water meters – R55 million for 2013/2014 MTRJTF;
- Upgrading and replacement of water pipe line – R387 million for 2013/2014 MTREF.
- Water connections – R10 million.
- Replacement of outdated switchgear of substation – R100 million.
- Construction of roads - R495 million for MTREF.
- Sewerage reticulation - R190 million for MTREF.
- Purchases of trading vehicles R 40 million for 2013/2014 MTRJTF.
- Construction of Waterval landfill site for R101 million for MTREF.
- Construction of waste transfer at R89 million for MTREF.
- Upgrading of water and sewerage network by RWS1 R100 million in 2013/2013 budget year.

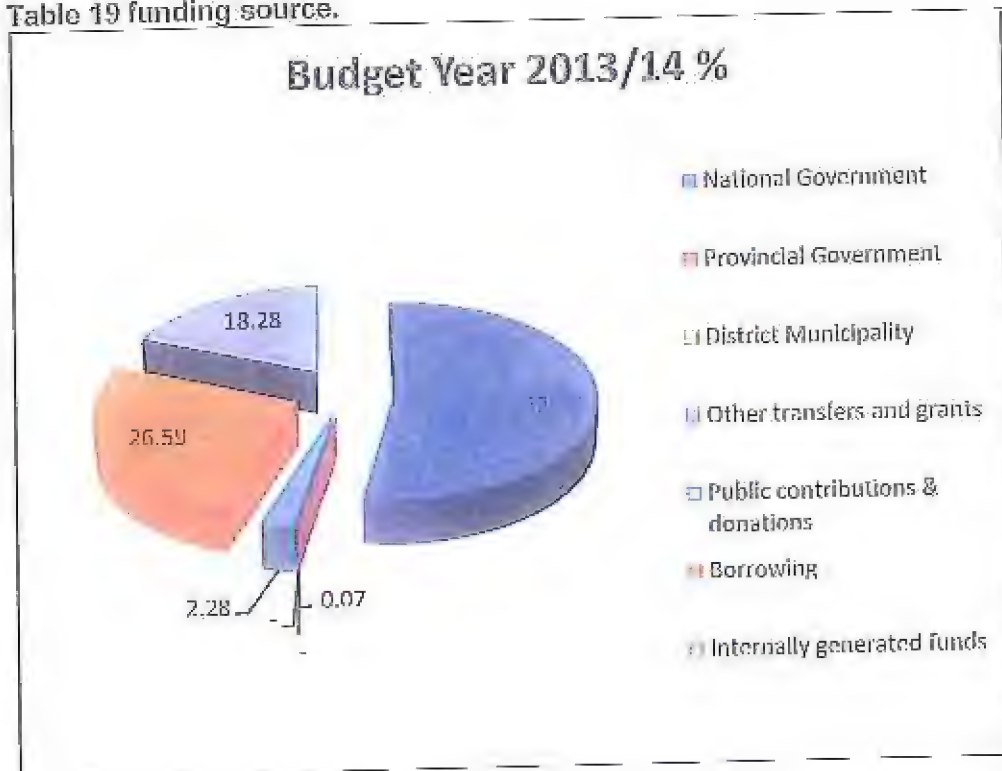
The following table is the funding source of capital expenditure:

**Table 18**

**NW373 Rustenburg - Table A5 Consolidated Budgeted Capital Expenditure by vote and standard classification.**

Vote Description		2013/14 Medium Term Revenue & Expenditure Framework						
R thousand	Adjusted Budget	Adjusted Budget %	Budget Year 2013/14	Budget Year 2013/14 %	Budget Year +1 2014/15	Budget Year +1 2014/15 %	Budget Year +2 2015/16	Budget Year +2 2015/16 %
<b>Funded by:</b>								
National Government	625 217	64.08	693 293	52.78	811 728	44.84	879 838	84.45
Provincial Government	343	0.04	968	0.07	350	0.02	170	0.02
District Municipality	200	0.02	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	625 760	64.14	694 261	52.85	812 078	44.86	880 008	84.46
Public contributions & donations	-	-	30 000	2.28	307 500	16.98	-	-
Borrowing	-	-	349 325	26.59	462 500	25.55	27 500	2.64
Internally generated funds	349 889	35.86	240 071	18.28	228 344	12.61	134 372	12.90
<b>Total Capital Funding</b>	<b>975 649</b>	<b>100.00</b>	<b>1 313 659</b>	<b>100.00</b>	<b>1 810 422</b>	<b>100.00</b>	<b>1 041 880</b>	<b>100.00</b>

Table 19 funding source.



The above table indicates the funding of capital expenditure. The biggest funding source of the capital expenditure is from national government at 52.78% (R693.2 million) and followed by borrowings and internally generated funds at 26.59% (R349 million) and 18.28% (R240 million) in 2012/2013. The funding from National government amount to R693,3 million in 2013/2014 budget year and there is an increase of 10.89% when compared to the 2012/2013 Adjusted budget. The 2013/2014 MTRUF is funded by R2,4 billion from National Government, R603 million from internally generated funds and R839 million from borrowings. The above funding source includes the funding of RWSI.



**Table 20 Aggregated entity budget. (Rustenburg Water Services Trust)**

**NW373 Rustenburg - Supporting Table SA31 Aggregated entity budget**

Description R million	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Financial Performance</b>						
Property rates						
Service charges	119	119	119	157	168	231
Investment revenue	4	4	4	5	6	8
Transfers recognised - operational						
Other own revenue						
Contributions recognised - capital & contributed assets						
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>163</b>	<b>173</b>	<b>237</b>
Employee costs						
Remuneration of Board Members						
Depreciation & asset impairment	16	16	16	16	16	16
Finance charges	27	27	27	26	24	62
Materials and bulk purchases						
Transfers and grants						
Other expenditure	78	78	78	102	109	116
<b>Total Expenditure</b>	<b>121</b>	<b>121</b>	<b>121</b>	<b>144</b>	<b>149</b>	<b>194</b>
<b>Surplus/(Deficit)</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>19</b>	<b>24</b>	<b>43</b>
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>100</b>	<b>690</b>	
Transfers recognised - operational						
Public contributions & donations				30	308	
Borrowing				50	353	
Internally generated funds	26	26	26	20	30	
<b>Total sources</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>100</b>	<b>690</b>	<b>-</b>
<b>Financial position</b>						
Total current assets	110	116	116	130	155	198
Total non current assets	335	335	335	409	1 084	1 068
Total current liabilities	(23)	(23)	(23)	(23)	(23)	(23)
Total non current liabilities	(226)	(226)	(226)	(246)	(581)	(557)
Equity	203	203	203	272	635	686
<b>Cash flows</b>						
Net cash from (used) operating	3	3	3	34	34	34
Net cash from (used) investing	(26)	(26)	(26)	(100)	(690)	
Net cash from (used) financing				50	353	

Cash/cash equivalents at the year end	1 008	1 008	1 008	992	688	722
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Total revenue for RWST amount to R163 million for 2013/2014 financial year and the two outer years amount to R173 million and R237 million. The total operational expenditure for 2013/2014 MTREF is from R144 to R194 million. There is a surplus of R19 million in 2013/ 2014 budget year. The surplus for the two outer years are R24 million and R43 million.

Capital budget for RWST in 2013/2014 financial year is R100 million and it will be funded from public contribution (R30 million), borrowings (R50 million) and internal generated funds (R20 million). The capital budget for 2014/2015 is R690 million. The funding source is from public contribution (R308 million), borrowings (R353 million) and internal generated funds (R30 million).

Furthermore Table SA36 contains a detail breakdown of the capital budget per project over the medium-term.

## 7. Annual Budget Tables – Consolidated information.

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/14 tabled budget. Each table is accompanied by *explanatory notes* on the facing page.

### 7.1. Explanatory notes to MBRR Table A1 - Budget Summary

- Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget.
- The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised are reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget



iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

- The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Budget Policy. But over the MTRLEF there is progressive improvement in the level of cash-backing of obligations.
- Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs

## 7.2. Standard Classification

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification
- Note that as a general principle, the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water and Waste management functions.
- Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

## 7.3. Budgeted Financial Performance (revenue and expenditure by municipal vote)

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.
- Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

## 7.4. Budgeted Financial Performance (revenue and expenditure) Explanatory notes to - Budgeted Financial Performance (revenue and expenditure)

- Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of RLM.
- Bulk purchases have increased over the 2009/10 to 2015/16 period. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Rand Water and Magalies water.
- Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.



- MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source
- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
- The capital programmes are funded from national and provincial grants and transfers, public contributions and donations, loans and internally generated funds from current year surpluses.

#### 7.5. Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet). This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first. Table SA3 provides a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves

7.6. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

7.7. Explanatory notes to Table A7 - Budgeted Cash Flow Statement: The budgeted cash flow statement is the first measurement in determining if the budget is funded. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. The 2013/14 MTREL has been informed by the planning principle of ensuring adequate cash reserves over the medium-term. Cash and cash equivalents totals R927 million as at the end of the 2013/14 financial year and increases to R1 billion by 2015/16.



7.8. Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 - Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the budget must be "funded". Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded. From the table it can be seen that for the period 2012/13 to 2015/16 the surplus is from R338 million to R305 million. As part of the budgeting and planning guidelines that informed the compilation of the 2013/14 MTRF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

**2.1 Overview of the annual budget process** Section 53 of the MI<sup>2</sup>MA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.



### **2.1.1 Budget Process Overview**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (21<sup>st</sup> August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time lines.

### **2.1.2 IDP and Service Delivery and Budget Implementation Plan**

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2013/14 MTREF, based on the approved 2012/13 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

## **2.2. Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent

plan to improve the quality of life for all the people living in that area. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The RLM has seven strategic objectives for the 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

The 2013/14 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table SA4 is reconciliation between the IDP strategic objectives and budgeted revenue Table SA5 is Reconciliation between the IDP strategic objectives and budgeted operating expenditure. Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure.

### **2.3 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the RLM has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



### **Planning, budgeting and reporting cycle**

The performance of the RLM relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. RLM therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the RLM in its integrated performance management system are aligned to the *Framework of Managing Programme Performance Information* issued by the National Treasury.

Table SA8 is a Performance indicators and benchmarks

### **2.3.1 Performance indicators and benchmarks**

#### ***2.3.1.1 Borrowing Management***

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, RLM borrowing strategy is primarily informed by the affordability of debt repayments. The following financial performance indicators have formed part of the compilation of the 2013/14 MTRRP:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure.

#### ***2.3.1.2. Liquidity***

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the RLM has set a limit of 1. Going forward it will be necessary to maintain these levels.

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

#### ***2.3.1.3 Revenue Management***

- As part of the financial sustainability, an aggressive revenue management has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears. The intention is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.



2.3.1.4. RLM, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

#### **2.3.2 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of Rustenburg local municipality.

For the 2013/14 financial year RLM intends to increase registered indigents. In terms of the Municipality's indigent policy registered households are entitled to 12kl free water, 50 kWh of electricity.

#### **2.3.3 Providing clean water and managing waste water**

The Rustenburg Local Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider

The following is briefly the main challenges facing the municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 3-year upgrade plan;
  - The introduction of working shifts in the municipality.

#### **2.4 Overview of budget related-policies**

Rustenburg Local Municipality budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

##### **2.4.1 Review of credit control and debt collection procedures/policies**

The Collection Policy as approved by Council and it is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt.

In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed. The 2013/14 MTRRF has been prepared on the basis of achieving an average debtors' collection rate of 92 per cent on current billings.

##### **2.4.2 Asset Management**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Within the framework, the need for asset renewal was considered a priority and

hence the capital programme was determined based on renewal of current assets versus new asset construction.

#### **2.4.3 Budget Policy**

The Budget Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the RLM system of delegations. The Budget Policy was approved by Council. The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the RLM continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

#### **2.4.4 Supply Chain Management Policy**

The Supply Chain Management Policy will be reviewed

#### **2.4.5 Cash Management and Investment Policy**

RLM Cash Management and Investment Policy was amended by Council. The aim of the policy is to ensure that RLM surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

#### **2.4.6 Tariff Policies**

RLM tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years. All the above policies are available on the RLM website, as well as the following budget related policies:

- Property Rates Policy
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

#### **2.5. Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

##### **1. In year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor and Council has progressively improved and includes monthly published financial performance on Rustenburg Local Municipality website.

##### **2. Internship programme**

The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services

Department. Of the five interns three have been appointed permanently. The other two interns were extended 1 year contract and the extension was granted by National Treasury. RLM is intending to appoint another five interns and the municipality is in a process of shortlisting.

### 3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

#### 2.5.1. Municipal manager's quality certificate

I .....; municipal manager of RLM, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_  
Municipal manager of RLM (NW373)

Signature \_\_\_\_\_

Date \_\_\_\_\_



## RUSTENBURG LOCAL MUNICIPALITY

MINUTES OF THE (03/2013) COUNCIL MEETING OF THE RUSTENBURG  
LOCAL MUNICIPALITY HELD ON TUESDAY THE 26 MARCH 2013, AT 14:05 IN  
THE COUNCIL CHAMBER, UPPER LEVEL, CIVIC CENTRE, RUSTENBURG.

### PRESENT

Clr Marekoa-Kodongo B B

-

Speaker

Clr Khumou M E

-

Executive Mayor

Clr Babe N B

Clr Baloi D

Clr Banda J T

Clr Beukes E

Clr Bisschoff E J

Clr Bodenstein M

Clr Bothamane P

Clr Coetzee D

Clr Diutlwile M M

Clr Dlungu W

Clr du Plessis G

Clr Habi A S

Clr Kgaladi P

Clr Lekoro B F

Clr Letlhoo M D

Clr Mabale-Huma S S K

Clr Maifala T H

Clr Makhaula V N

Clr Makhutle M P

Clr Malan A

Clr Malebana-Metsing PIR

Clr Malinga W S

B. B. MK

Clr Mantsho R B  
Clr Maqwane L  
Clr Mashishi-Ntsime J  
Clr Masilo Q S  
Clr Matabane E  
Clr Mataboge A L  
Clr Miny C  
Clr Mmolotsi C N  
Clr Mogotsi M M S  
Clr Mokgotlhwe S E  
Clr Mokowe N E  
Clr Molatlhegi R  
Clr Mosome P D  
Clr Motlhamme D  
Clr Motlhasedi R  
Clr Motshegwe S  
Clr Motsoadi P  
Clr Mpengu M L  
Clr Mputle J  
Clr Ntshole M  
Clr Nyathi N J  
Clr Omarjee M  
Clr Phiri J M  
Clr Poopedi J M  
Clr Putu N  
Clr Segale M  
Clr Segaole A B  
Clr Sepotokele M  
Clr Seriteng S  
Clr Serongoane P H  
Clr Smith L J

Clr Tlhapi G V  
Clr Tlhapi P P  
Clr Tsamai A  
Clr Tsienyane P  
Clr Tsitsi A  
Clr van der Wal C R  
Clr Vosloo J  
Clr Willimse M

B. B. M. K

## OFFICIALS

Dr Mako M K	-	Municipal Manager
Mr Makona S V	-	Chief Operating Officer
Me Molefe S G P	-	Chief Financial Officer
Mr Mokgwamme M	-	Director: Technical & Infrastructural Services
Ms Motsepe P	-	Director: Community Development
Mr Pieters J C	-	Director: Planning & Human Settlement
Mr Kotsedi S S	-	Director: Public Safety
Mr Kola J R	-	Director: Local Economic Development
Mr Rapoo M K	-	Director: Rustenburg Rapid Transport
Ms Sibanda-Tebeli M M-		Manager: Office of the Executive Mayor
Mr Matima N	-	Manager: Office of the Speaker
Mr Jansen van Vuuren J W-		Section Manager: Administration Administrative Support Services
Ms Molokomme P	-	Section Manager: Committee Work, Reproduction and Distribution Administrative Support Services
Ms Manthata J	-	Committee Administrator: Administrative Support Services

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B B. M. K



tabled, on what is being done with those townships where less than 30% revenue is received;

3. That the Municipal Manager explores the appointment of external revenue management panel to assist in implementing the revenue turnaround strategy. MM

87. THE SOUTH AFRICAN AIR FORCE (SAAF) AVIATION AWARENESS PROGRAMME – HOSTING OF AN AIR SHOW- SEPTEMBER 2013- CC  
(Office of the Executive Mayor) (37834)(MT/pm)

ACTION

1. That the report be noted; OEM
2. That the requested budget of the Aviation Awareness Programme by the South African Air Force be considered in the 2013/14 Financial Year Budget. OEM  
BTO

88. TABLING OF DRAFT 2013/2014 MEDIUM TERM INCOME AND EXPENDITURE FRAMEWORK- CC  
(Budget and Treasury Office) (/pm) ACTION

1. That the draft annual budget ( capital and operating ) for the financial year 2013/2014 of 4 billion and two outer years 2014/15 R 4.4 billion and R3,779 billion for 2015/16 and related policies be considered for approval as per the following tables :  
  
 Table A1 – budget summary  
 Table A2 – budgeted financial performance (Revenue and expenditure by standard classification )  
 Table A3 – Budgeted financial performance (revenue and expenditure by municipal vote)  
 Table A4 – Budgeted Financial performance (Revenue and Expenditure)  
 Table A5 – Budgeted capital expenditure by vote, standard classification and funding  
 Table A6 – Budgeted financial position  
 Table A 7 – Budgeted cash flows  
 Table A8 - Cash backed reserves / accumulated surplus reconciliation  
 Table 9 – Asset Management  
 Table 10 – Basic Delivery measurement
2. That the draft budget for the water services trust as per SA 31 be considered for implementation as from 01 July 2013; BTO
3. That in terms of section 75 A of the Local Government Municipal Systems Act, all consumptive tariffs, Rates, Basic charges be amended as proposed Below for implementation on 01 July 2013 as per annexure B. BTO

B. B. M. K

Property Rates – 5%  
 Water -5%  
 Electricity – 8%  
 Sewerage – 5%  
 Refuse Removal – 5%;

4. That all the sundry tariffs and other tariffs be amended as proposed in Annexure B for implementation on 01 July 2013; BTO
5. That in terms of section 75 A of the Municipal Systems Act , interest be charged for all outstanding accounts for period longer than 30 days at rate equal to prime interest rate plus 2 for other services and for Rates be charged at prime plus one as regulated by the regulations for municipal property rates; BTO
6. That the amendments on the following budget related policies be considered for implementation as from 01 July 2013 as per Annexure C; BTO
  - Asset management policy
  - Indigent policy
  - Credit control and debt collection policy
  - Tariffs policy
  - Rates policy
  - Borrowings
  - Funds and reserves
  - Supply chain management policy
7. That the following budget related policies be noted without changes: BTO
  - Travelling and subsistence
  - Budget policy
8. That the draft budget for 2013/2014 in both printed and electronic formats be submitted to National and Provincial treasury; BTO
9. That the draft annual budget, proposed tariffs and budget related policies be subjected to public participation processes before final approval; BTO
10. That all Councillors attend workshops on the amended budget related policies before the public participation processes; OSP  
BTO
11. That the tariffs charged to Xstrata be reviewed; BTO
12. That the Municipal Manager set up a committee to expedite the agreement with Xstrata. MM

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 B.B.M.K

(vii)

9. **REPORTS BY THE SPEAKER:**

None.

10. **REPORTS BY THE SINGLE WHIP:**

None.

11. **INFORMATION BY THE MUNICIPAL MANAGER:**

None.

12. **MOTIONS OR PROPOSALS DEFERRED FROM PREVIOUS MEETINGS:**

None.

13. **NEW MOTIONS OR PETITIONS**

None.

14. **QUESTIONS:**

14.1 **QUESTIONS FROM PREVIOUS MEETINGS:**

14.2 **NEW QUESTIONS:**

15. **ADOPTION OF MINUTES:**

That the minutes of the (03/2013) Ordinary Council meeting held on 26 March 2013 be adopted.

16. **CONCLUSION:**

The business of the meeting was concluded at 19h20.

DATE APPROVED:

SPEAKER:

